

**SENATE ENERGY, UTILITIES AND COMMUNICATIONS COMMITTEE
ALEX PADILLA, CHAIR**

AB 1434 - Yamada	Hearing Date: June 23, 2014	A
As Amended: May 23, 2014	FISCAL	B
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DESCRIPTION

Current law establishes the Department of Community Services and Development (CSD) and charges it with improving the quality of life for low-income Californians. (Government Code § 12085)

Current law requires the California Public Utilities Commission (CPUC) to establish the California Alternate Rates for Energy (CARE) program to discount rates for low-income gas and electric customers whom are defined as those with incomes no greater than 200 percent of the federal poverty level. The average effective CARE discount is limited to a range of 30 to 35 percent of the revenues that would have been produced for the same billed usage by non-CARE customers. (Public Utilities Code § 739.1)

Current law requires the CPUC to consider a program of rate relief for low income customers of water corporations. (Public Utilities Code § 739.8)

This bill requires the CSD to develop a plan for the funding and implementation of a low income water rate assistance program.

BACKGROUND

Last fall the Assembly Committee on Utilities & Commerce, with the Assembly Committee on Aging, held an oversight hearing on water rates to specifically examine affordability for aging populations and the low income. The CPUC regulates 115 water utilities which are natural monopolies with no direct competition. They are and are classified as:

- Class A utilities (those with >10,000 connections). These serve 95% of the 6 million customers of the IOU water utilities and there are 10;
- Class B (2,001–10,000 connections), total 6;
- Class C (501–2,000 connections), total 23; and
- Class D (<500 connections), total 76.

The CPUC assesses the fiscal condition of the water utilities and provides a reasonable rate of return to ensure the ability to provide customer service and satisfy shareholders. In 2012, water utilities under CPUC’s jurisdiction posted revenues totaling \$1.4 billion.

According to the committee the CPUC has ordered all Class A water utilities (those with over 10,000 service connections) and one Class B water corporation (between 2,000 and 10,000 service connections) to establish rate assistance programs. Collectively the Class B, C, and D water companies serve approximately 300,000 customers and approximately 70,000 to 95,000 of those customers may be eligible for low income assistance or as much as 30% of the customer base. Consequently, the non-eligible rate base is not large enough to spread the costs of the income assistance program due to the likely significant bill impact on those ratepayers.

COMMENTS

1. Author's Purpose. The issue of exorbitant water rates was brought to the author's attention as a result of a CPUC filing by Cal Water for a water rate increase of 77% over three years to ratepayers in Lucerne, one of Lake County's most disadvantaged communities. The CPUC has the filing under review and it appears that a pending settlement will significantly reduce the increase to a more manageable level. However, over recent years, Lucerne has been subject to large rate increases. In 2005, Cal Water sought a 247% rate increase, receiving PUC approval for a 120% rate increase. In 2009, Cal Water requested an increase of 54.9%, and received approval for an increase of 41.8%. Large rate increases are not limited to Lucerne.

The costs of water service are also growing significantly in publicly owned utility districts. The CPUC has implemented assistance programs for the larger water corporations but the majority of water service providers have chosen not to provide assistance for various reasons. Some do not have enough customers to adequately cover their cost for administering a program. Comparably, other providers may have enough customers, but low-income households might make up too high or low of a percentage of their customer base to reasonably fund a program through their normal water rates. With the implementation of new regulations like the new maximum contaminant levels of Hexavalent Chromium the Department of Public Health is considering and the need to replace aging water delivery infrastructure, the costs of delivering potable water will continue to drive rates higher in the coming years.

2. The Study. The CPUC has addressed the issue of water affordability for customers of the water corporations under its jurisdiction and requires the companies with the largest customer bases to offer an assistance program. However, for the utilities that serve fewer connections, the rate base over which an assistance program could be supported is limited. To address this issue the CPUC is considering policies to balance rates for multi-district water utilities.

The study called for by this bill includes both publicly-owned water utilities (POUs) and investor-owned water utilities (IOUs) water utilities. Approximately 86% of water customers in the state are served by POUs which may be hampered in their efforts to provide assistance programs as a result of Proposition 218. The author reports that POUs must restrict water rates to the cost of service – in sharp contrast to the IOUs, who are able to generate a return on their investment.

ASSEMBLY VOTES

Assembly Floor	(55-23)
Assembly Appropriations Committee	(12-5)
Assembly Utilities and Commerce Committee	(9-5)

POSITIONS

Sponsor:

Author

Support:

American Federation of State, County and Municipal Employees
California Environmental Justice Alliance
Office of Ratepayer Advocates

Concern:

California Municipal Utilities Association

Oppose:

Association of California Water Agencies

Kellie Smith
AB 1434 Analysis
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